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October 22, 2013

Ms. Cynthia T. Brown  
Chief, Section of Administration  
Surface Transportation Board  
Office of Proceedings  
395 E Street, SW  
Washington, DC 20423-0001

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Office of Proceedings  
October 22, 2013  
Part of Public  
Record

RE: EP No. 664 (Sub.-No. 2), Use of a Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital

Dear Ms. Brown,

This letter is being filed to notify the Surface Transportation Board (STB) of the support of The Chlorine Institute (CI) for the Petition for Rulemaking filed August 27, 2013 by the Western Coal Traffic League (WCTL) in the above referenced proceeding.

The Chlorine Institute is a 195-member, not-for-profit trade association of chlor-alkali producers worldwide, as well as packagers, distributors, users, and suppliers. The Institute's mission is the promotion of safety and the protection of human health and the environment in the manufacture, distribution and use of chlorine, sodium hydroxide, potassium hydroxide and sodium hypochlorite, plus the distribution and use of hydrogen chloride. The Institute's North American Producer members account for more than 93 percent of the total chlorine production capacity of the U.S., Canada, and Mexico.

CI agrees with WCTL on the importance of reviewing the Board's 2009 decision to combine multi-stage discounted cash flow (MSDCF) data with more accurate Capital Asset Pricing Model (CAPM) data in determining the railroad industry's cost of capital. CI also believes that this decision is no longer justifiable. The hybrid has led to erroneous results which are significant and only benefit the railroads, with consistent adverse effects on CI's members that ship and receive chlorine, sodium hydroxide, potassium hydroxide, sodium hypochlorite and hydrogen chloride.

When errors have been demonstrated and corrective actions have been proposed, the Board should have a goal of pursuing improvements to achieve more effective regulations. Moreover, persistent errors that always favor railroads are particularly concerning. Most captive shippers have no choice but to pay the resulting higher rates. Railroads that believe the Board's test understates their cost of capital can easily raise rates or reduce costs to preserve margins. Depending on the commodity, their risk of a shipper challenge is very minimal.

Accordingly, CI requests your favorable action on granting WCTL's petition.

Sincerely,

Robyn S. Kinsley  
Director, Transportation